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## Analysis of macro environmental factors influencing the development of rural tourism: Lithuanian case

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### Abstract

The purpose of the paper is to look deeper into macro environmental factors and to analyse their impact of those factors on the development of rural tourism in Lithuania. The analysis is based on scientific literature (the analysis involves such scientific methods as systematic-logical, comparative and structural analysis of economic literature; holistic approach to the research problem; synthesis), statistical data (Department of Statistics, the World Bank) and mathematical statistical analysis (correlation analysis).

Five groups of macro environmental factors were identified after analysis of various scientific literatures: economic, socio-cultural natural-ecological, political-legal and technological factors. These groups of factors were analysed in the example of Lithuanian rural tourism sector much further.

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### Introduction

During a relatively short period of time, rural tourism managed to become very popular and actively used by the provincial culture. Although rural tourism occupies only a small part of the entire tourism market, it is one of the most rapidly developing sectors. Rural tourism can serve as a tool for diversification of the local economy, helping to conquer new markets for local products, as well as an additional source of income for farmers and other

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agriculture-related people (Matekonienė, Navackaitė, & Dumbauskaitė, 2002). Rural tourism promotes rural development, thus contributing to the overall growth of the national economy (Irshad, 2010). For small countries such as Lithuania, rural tourism is a stabilizing factor in economic and social development (Gao, Huang, & Huang, 2009). According to Žilinskas & Maksimenko (2008), rural tourism is important part of Lithuanian tourism sector which affects image formation for municipality and country, and promoting growth of inbound tourism.

The specifics of rural tourism concept were analyzed in the scientific works of Aleksiev & Stamov (2005), Jaszczak & Žukovskis (2010), Svoradova, Palkechova & Viragh (2013). The benefits of rural tourism to rural community and country were discussed by Weaver & Lawton (2001), Tosun (2002), Tovar & Lockwood (2008), Atkočiūnienė (2011); Markauskienė, & Gižienė (2012). Macro environmental factors affecting tourism/rural tourism were analysed of Mikus (1994), Wilson, Fesenmaier, Fesenmaier & Van Es (2001), Hjalager (2002), Botezat (2003), De Freitas (2003), Zdorov (2004), Barbu (2013), Bianu, Sirbulescu & Chirila (2013). Lithuanian authors Labanauskaite (2008), Sinkienė (2008), Labanauskaitė & Lekavičienė (2011), Markauskienė & Gižienė (2012), Romikaitytė & Kisieliauskas (2012) discussed about factors affecting development of Lithuanian tourism sector, while Žalys, Žalienė & Iždonaitė (2006), Žilinskas & Maksimenko (2008), Ramanauskienė, Astromskienė & Andriūnas (2010), Snieška, Barkauskienė and Barkauskas (2014) mentioned the factors influencing the development of rural tourism episodically. Macro environmental factors affecting development of rural tourism are not widely analysed, there is still the lack of deeper their analysis and evaluation.

The core purpose of the paper is to look deeper into macro environmental factors and to analyze the impact of these factors on the development of rural tourism in Lithuania.

## 1. The importance of rural tourism

Rural tourism can be defined differently depending on each European country (Jaszczak & Žukovskis, 2010): farm tourism/agrotourism/agritourism (product based on agriculture production and accommodation in typical farm buildings), green tourism (a type of tourism opposite to the mass tourism and environmentally-friendly), ecotourism (includes unique natural values and active promotion of environmental protection giving benefits to local community) and wilderness and forest tourism (tourism form that includes tourism infrastructure in forest areas).

Aleksiev, Stamov (2005) emphasise that rural tourism is a local form of tourism, which is created, managed and developed by the local residents based on the local landscape and culture. Rural tourism creates higher income for the local community, there appear more opportunities to create more workplaces and their revitalization, and the living standard of the local residents is improved as well (Svoradova, Palkechova & Viragh, 2013).

Many scientists (Atkočiūnienė (2011); Markauskienė, & Gižienė (2012), Tosun (2002), Weaver & Lawton (2001), Tovar & Lockwood (2008)) maintain that rural tourism creates economic and non-economic (socio-cultural and ecological or environmental) benefits. The development of rural tourism leads to the following economic benefits: GDP growth; unemployment decrease, i.e. creating workplaces (as well as for unskilled workers) in the related business - accommodation, catering, trade, entertainment; increasing local residents and state revenues; foreign investment attraction; promotion of the development and variety in other sectors (local crafts, manufacturing and agriculture); infrastructure development. The social and cultural benefits of rural tourism include such aspects as: cultural exchange; recovery of cultural activity; promotion of social integration (closer contacts between the local population and tourists), community involvement; preservation of cultural heritage, conservation and promotion of indigenous cultural values, promotion of local residents' entrepreneurship. Meanwhile ecological benefits of rural tourism include environmental protection (protection of natural areas); improving infrastructure, protection of the landscape.

## 2. Macro environmental factors determining development of Lithuanian rural tourism

Žalys, Žalienė & Iždonaitė (2006) define the development of rural tourism as the searching for new ideas and their implementation process. The development of rural tourism reveals itself in expansion of local infrastructure and the increase of the supply of services in order to attract more tourists and to satisfy their needs. This development requires strategic political and economic planning and decision-making in both the public and private sectors (Lominė & Edmunds, 2007). According to Gunn (1988), the development of rural tourism involves:

attractions, promotion, tourism infrastructure (access facilities, roads, airports, trains, and buses), water and power services, parking, signs, and recreation facilities), services (lodging, restaurants, and various retail businesses needed to take care of tourists' needs) and hospitality.

To continue, Wilson, Fesenmaier, Fesenmaier & Van Es (2001) suggested 10 factors/conditions that are the most important for the successful tourism development in rural areas: a complete tourism package, good community leadership, support and participation of local government, sufficient funds for tourism development, strategic planning, coordination and cooperation between businesspersons and local leadership, coordination and cooperation between rural tourism entrepreneurs, information and technical assistance for tourism development and promotion, good convention and visitors bureaus, and widespread community support for tourism. Barbu (2013) states that the main factors that determine the development of rural tourism are the level of education, quality of transport and communications, tourists' financial possibilities, interest in health maintenance, development of sports equipment industry in tourism; interest from global, national, district and local administrations; development of telecommunications. Zdorov (2004) focuses on these factors: area, population, transport network, administrative division, climate, natural resources, tourist attractions, economic infrastructure, geographical position, landscapes, present tourist routes, most promising areas for tourism development.

Rural tourism in terms of national economy on macro level may be seen as a branch of the national tourism (Žalys, Žalienė, Iždonaitė, 2006). Macro level or in other words macro environment is the factors and forces affecting all the entities in sectors of economy. Such qualitative methods as PEST (or PESTEL) analysis, analysis of environment dynamics and scenario analysis are usually applied performing the analysis of macro environment. In the most popular PEST qualitative analysis, usually based on expert judgment, are singled out factors which have anticipated favorable or unfavorable effects, predicted the essential influence of macro environmental factors on a branch of industry, sector or company's strategy (Stundžienė & Blikienė, 2012).

Labanauskaite (2008), Labanauskaitė & Lekavičienė (2011) distinguish external environmental factors which affect tourism development into positive (extensive, e.g. the number of employees, construction of new tourism facilities; intensive, e.g. qualification improvement, the formation of new infrastructure) and negative. According to Mikus (1994), negative factors include economic crises, the political instability, unemployment, the criminogenic situation, the financial instability, the decline in personal consumption, the unfavorable ecological situation.

Summarizing the researches done by Bianu, Sirbulescu & Chirila (2013), Markauskienė & Gižienė (2012), it can be stated that the biggest influence on the development of tourism and rural tourism have such factors as economical (personal and family disposable income, transport, accommodation and food prices, exchange rate differences and taxes), social (population by age group and occupation, duration of paid holidays, life expectancy), political (political situation, security, special events), natural and psychological. The current political situation in Lithuania and its relations with surrounding countries (Russia, Ukraine) heavily influence the number of tourists who choose to visit Lithuania (e.g. Russian tourism agencies advice not to go to Lithuania because it may be unsafe there).

Following the analysis of the scientific literature and on the basis of one of the most widespread methods to analyze the external environment, i.e. PEST analysis, the authors of the paper distinguish the following macro environmental factors that influence the development of rural tourism: economic, socio-cultural, natural-ecological, political-legal, and technological. Moreover, the authors distinguish the additional external environmental factor which has a direct impact on rural tourism activities, i.e. the natural-ecological factor.

### 3. The analysis of macroenvironmental factors affecting the development of Lithuanian rural tourism

**Economic factors.** According to Snieška, Barkauskienė and Barkauskas (2014) economic factors have the greatest influence on the development of rural tourism. Botezat (2003) states that the development of rural tourism strongly depends on revenue growth. Ramanauskienė, Astromskienė & Andriūnas (2010) note that rising wages enable people to spend more money on leisure and recreational activities. This factor greatly affects rural tourism. However, it is important to draw attention to the growing inflation, which can reduce real income of the population. Romikaitytė & Kisieliauskas (2012) focus on such economic factors as tourists' flows from the countries, GDP per capita, inflation, establishment of tourism companies in the country, tangible investments. The development of rural

tourism is also influenced by interest rate changes, government expenditure, foreign investments, and unemployment rate (Ramanauskienė, Astromskienė & Andriūnas, 2010).

To continue, changing climate affects the growing of support costs for natural resources (important for rural tourism, for example water bodies). In the future, economic factors will depend more heavily on environmental factors and sustainable (including rural) tourism will grow because of the worse state of environment.

The results of calculations in Table 1 show what influence economic factors have on the development of Lithuanian rural tourism. The authors used Lithuanian statistical data (2004-2013) from the Department of Statistics and the World Bank in order to perform the calculations.

Table1. Relation (values of correlation coefficient) between economic factors and indicators of Lithuanian rural tourism,

Economic factors	Number of rural tourism farmsteads	Number of guests in rural tourism farmsteads
GDP per capita	0.87	0.85
Unemployment	0.37	-0.22
Average monthly gross earnings	0.92	0.82
Foreign direct investment	0.92	0.77
Government expenditure*	0.92	0.80
Government revenue	0.89	0.91
Tangible investments per capita*	0.17	0.70
Inflation	0.14	0.63

\*preliminary data according the Department of Statistics

According to the Department of Statistics, one tenth of tourists among the holidaymakers of Lithuanian rural tourism were foreigners (in 2014, 8 per cent of rural farmstead visiting tourists were foreigners), therefore Lithuanian GDP was used as an economic factor for calculations. Average monthly gross earnings, GDP per capita, foreign direct investment, government expenditure, government revenue have a significant or even extremely significant impact on the development of rural tourism (correlation coefficients  $>0,7$ ). The total country's unemployment hardly affects the number of rural farmsteads and even negatively influences the number of guests in rural farmsteads. Tangible investments per capita and inflation slightly influence the changes in the number of rural farmsteads (correlation coefficients  $> 0,3$ ), however they have average positive (negative) linear correlation with a number of guests in rural tourism farmsteads. The analysis of economic factors has shown that in case of the overall economic growth, the market of rural tourism increases and attracts more investments and tourists.

**Socio-cultural factors.** According to Sinkienė (2008), the analysis of social factors includes demographic changes in the country and region, family and community relationships prevailing in the society, the characteristics of lifestyle, the aspects of health and education, the criminogenic situation, etc.; whereas cultural factors embrace the country or region residents' mobility for changes, the attitude to the main issues of rural tourism activities and development (openness, rationality, cosmopolitanism, etc.).

The aging of Lithuanian population and an increasing concern for health, the ambition to know the natural and cultural environment (food, traditions, lifestyle, etc.) and not only to visit several tourist sites, to directly and deeply experience the contact with environment encourages the growth of healthy tourism and rural tourism is perfect for that. In Lithuania the number of elder people (60 years and more), falling for one hundred children up to 15 years old, is growing: at the beginning of 2010 it was 116 whereas in 2014 it increased by 8.6 percent up to 126 (Statistics Lithuania). The economic situation of retirement age group is not satisfactory, there are no deep traditions of travelling. Due to poor demographic situation in rural areas there is a lack of qualified staff. Such a poor demographic situation is influenced by insufficient access to health and education services, negative changes in employment, poor state of infrastructure. The development of rural tourism is also affected by personal tourists' motivation, lifestyle, a wish to know the customs, traditions and history, to visit the cultural heritage, the ethnographic places, the places of attractive heritage and unique nature.

**Natural-ecological.** Because of growing ecological problems, the natural environment is becoming an increasingly important element of the tourism environment, embracing the climatic conditions, the use of natural resources and environmental protection measures. Sinkienė (2008) distinguishes the quality of air, drinking and

water bodies' water, waste management, biodiversity richness and the risk of natural disasters as important factors for rural tourism development. In De Freitas (2003) opinion, the selection of resting place and tourism is influenced by the landscape, geographical location, topography, flora and fauna, weather and climate.

The development of rural tourism in Lithuania is extremely influenced by climatic conditions and short summer season. The climate changes, the loss of biodiversity are becoming more powerful and global and increasingly influence the development of rural tourism. Lithuania has a great potential for natural tourism: the natural complex in the seaside, the dense network of inland waters, national and regional parks and one-third of the national territory occupying forests, natural and hardly urbanized landscapes with distinctive architecture and the complex of cultural heritage. The country is attractive for tourists because of its natural and cultural reserves, recreational institutions, rural recreation, rural settlements, protective forests, agricultural areas, agro parks, recreational spaces, natural relief, ethno-cultural reserves (typical for the older villages).

**Technological factors.** As Snieškienė (2009) states, the scientific-technological environment includes research, knowledge and technology. Technological factors increase the country's competitiveness through the provision of timely and effective information, the use of new tourism product provision possibilities, the modernization of servicing system, the assurance of appropriate level of quality and other measures based on innovations and adapted technology. According to Hjalager (2002), the tourism is inevitably associated with new technologies, the organizational and structural innovations. As Žilinskas, Maksimenko (2008) note, that it is necessary to provide management and marketing knowledge to rural residents as well as to develop the information for tourist when reorganizing and improving the information system of Lithuanian rural tourism and the marking system of rural tourism sites. When using modern technology and information systems, it is necessary to achieve that rural tourism information would be available for Lithuanian residents and tourists from foreign countries as well.

**Political-legal factors.** The political-legal environment includes such factors as political stability, strategic development objectives, small and medium business promoting, the government executed rural tourism promotion and regulatory policy, the European Union's support, the business of rural tourism regulating legislation, environmental protection legislation. Legal and bureaucratic restrictions are one of the main obstacles for the development of rural tourism business. Usually legal documents promote the tourism activity but there are cases when due to specific conditions the tourism activity may be legally restricted especially in order to avoid a negative impact on the environment.

In Lithuania the business of rural tourism is based on the requirements of tourism services establishment and is regulated by interrelated laws: the Civil Code of the Republic of Lithuania, Tourism, Agriculture, Farmer's farm, Forest, Water, Environment, Protected areas, Territorial planning, Cultural Heritage protection, other legislation and a number of post-legislative laws: provisions, regulations, rules, procedures, solutions of planning documents. The measures and ways of tourism development are set in the programme of Lithuanian Tourism Development in 2014-2020, where rural tourism is recognized as an important direction for tourism development in Lithuania.

The development of rural tourism is also influenced by the fact that this activity is encouraged by the European Union (EU) supported measures. In the programme of Rural Development in 2014-2020 one of the support directions is provided for rural and regional development, according to which one of the supported activities is rural tourism services. EU support for rural tourism is provided by the activity "Investment support for the creation and development of economic activity". In the programme of Rural Development in 2014-2020 the sum of almost 154 million EUR is provided to non-agricultural businesses and one of them is the development of rural tourism.

Ideal conditions for the development of rural tourism are political stability, security, well-defined and functioning legal system, public goods provided by the state – infrastructure, environment, information.

## Conclusions

The analysis of scientific literature leads to the conclusion, that rural tourism is useful and viable activity not only for entrepreneurs of rural farmsteads but also for rural community, region and country. Rural tourism creates economic socio-cultural and ecological or environmental benefits for rural communities and country as well.

It is necessary to draw attention to the economic, social-cultural, natural-ecological, technological and political factors that determine the development of rural tourism. The calculations showed that the most significant impact on

the development of Lithuanian rural tourism is made by these economic factors: average monthly gross earnings, GDP per capita, foreign direct investment, government expenditure and government revenue. The other important factors are socio-cultural (demographic situation, migration, history and traditions, cultural peculiarities, lifestyle), natural-ecological (environmental situation, geographical location, climate, landscape, seasonality, natural resources), political-legal factors (political stability, strategic development objectives, small and medium business promoting, the government executed rural tourism promotion and regulatory policy, the European Union's support, the business of rural tourism regulating legislation, environmental protection legislation) and technological factors (the information and communication technologies, new technologies, scientific and technical progress).

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